

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 03 MONTREAL 001076

SIPDIS

State for WHA/CAN (Wheeler) and EB/TRA

FAA for Krista Berquist

TSA for Susan Williams

SIPDIS

BCBP for Joe O'Gorman

E.O. 12958: N/A

TAGS: [FAIR](#) [ECON](#) [EFIN](#) [PREL](#) [CA](#)

SUBJECT: Phased Expansion Plans for Montreal's Dorval Airport

REF: A) MONTREAL 0412 (2002)

1. This cable contains input from Embassy Ottawa.

2. SUMMARY: Montreal's Dorval International Airport recently opened Phase 1 of a planned three-stage, C\$700 million expansion that will include new and improved facilities as well as integration of the airport into the local and regional transportation network. The renovation is part of an overall effort to have Dorval reestablish itself as a major international hub. Plans for Phase 3, which may not begin until 2006 or 2007, include new pre-clearance facilities for Department of Homeland Security inspectors; however, it is unclear whether these new facilities will address long-standing DHS pre-clearance security concerns. END SUMMARY

3. Aeroports de Montreal (ADM), a non-profit agency, manages both Dorval and Mirabel Airports under a 60-year lease signed in 1992 with Transport Canada, the federal transportation agency. Mirabel is located approximately 30 miles from downtown Montreal in a relatively unpopulated area; it was developed in the 1970s with the intention of replacing Dorval, which was considered to have low growth potential because it is surrounded by residential neighborhoods. However, Mirabel's distance from the city made its viability dependent on train and highway connections from downtown Montreal that were never developed. Consequently, Mirabel never gained sufficient support either from the airlines or the traveling public and many international carriers abandoned Montreal for Toronto.

4. In 1996, ADM determined that, with expansion, Dorval would be able to accommodate all passenger traffic for the foreseeable future. It allowed international carriers to move back to Dorval in 1997. Some charter carriers continue to operate at Mirabel but all will have moved to Dorval by 2004. In an interview with post, CEO James Cherry said ADM is obligated under its lease to maintain an airport at Mirabel, and will devote it to cargo transport for now. Cherry said ADM plans this fall to issue a formal Request for Proposals to determine a future use for Mirabel's underused terminal facilities. Mirabel has understandably been dubbed a "White Elephant" by many, but the 75,000 acre site will remain available should need for a second major passenger airport ultimately arise.

5. Rating agency Standard and Poor's recently downgraded ADM from an A plus to an A, citing difficulties in the airline industry, and in Dorval's case, the long wait for a new lease with Transport Canada. According to Cherry, "they [S and P] were just looking for excuses; they are downgrading all Canadian airports." Cherry says that over eighty percent of all travelers who fly through Dorval either start or finish their trip at Dorval. This high percentage of origin/destination traffic insulates Dorval from the instability found at many hub airports; the steady passenger stream from area residents provides ADM with a consistent income flow. "Even during slow periods, Montrealers will still have the need to fly," he explained.

Three Phases of Expansion

6. The Dorval renovation and expansion are projected to cost approximately C\$700 million and will occur in three phases. Phase I, the Trans-border Jetty, which handles flights between the U.S. and Canada, opened on April 1, 2003. Although several gates can accommodate planes as large as a Boeing 767, the new jetty is designed with adjustable bridges to accommodate even the smallest aircraft, such as regional jets. Cherry said that Dorval's expansion was designed with current airline restructuring trends in mind; he predicted that low-cost airlines may ultimately claim up to 40 percent of the Canadian domestic air travel market.

7. The Trans-border jetty offers some significant improvements

over the previous 1950s era terminal: more gates, more shopping and eating areas as well as greatly enhanced security with the complete segregation of arriving and departing passengers. Cherry noted that while the new facility is spacious and modern, it is not the "architectural monument" that some recent airports have become. Originally the Dorval expansion was set to cost C\$1.3 billion, but the plans were scaled back after Cherry was hired in 2001.

18. Phase 2 of Dorval's expansion plan is a new International Jetty, scheduled to open in 2005 and currently about 25 percent completed. It will include a new arrivals hall, a new Canadian immigration/customs inspection facility and a baggage claim area that will handle both international and U.S. arrivals. The International Jetty will have at least one gate able to accommodate the new super-jumbo Airbus A380 and will also feature several "swing" gates allowing a plane to arrive as a trans-border or international flight and depart either to the U.S. or another international destination.

19. Phase 3 will include check-in areas for US-bound flights, a new US Customs/Immigration pre-clearance area, an enlarged domestic jetty for small aircraft, and a rail station that will connect to VIA Rail's intercity service, as well as to the Central Station downtown. Since a train station already exists one mile from the airport terminal, linking the airport to the Ottawa-downtown Montreal corridor should be relatively inexpensive, according to CEO Cherry. He estimated the cost at approximately C\$90 million. Construction work would also improve highway access to Dorval. Phase 3 is expected to begin in 2006 or 2007, and should take about two years to complete, although financing has not yet been arranged and the ADM board has not given its final approval. CEO Cherry told post "we [ADM] are considering moving up the start date [of phase 3] by one year, maybe in 2005."

10. Notwithstanding the fact that the Transborder Jetty was built and is operational, renovations at Dorval and Mirabel are currently hindered by what Cherry describes as "perverse economic consequences" of the lease signed with the federal government in 1992. Under that lease, while ADM is responsible for financing all improvements, the federal government receives up to 80 percent of any income resulting from investments in new facilities. According to Cherry, ADM went ahead with the renovations based on personal assurances from the Federal Minister of Transportation that a new lease formula for most of Canada's major airports will remove such disincentives and make it possible to undertake new business partnerships.

----- Increasing Passenger Levels -----

11. The Dorval expansion is expected to increase the airport's capacity from its present level of 9 million passengers each year to 15 million; ADM bases its expansion plans on projected average annual growth of 3-4 percent. According to Christiane Beaulieu, ADM Vice President for Public Affairs, Dorval's current three runways handle 55-60 movements (takeoffs or landings) per hour, and could handle up to 100 per hour, so expansion will be limited to terminal facilities. Beaulieu said ADM's marketing department is working to bring in new airlines and get others to expand their operations. Lufthansa and Austrian Airlines recently re-established service at Dorval, and Canadian discount carriers Westjet and Jetsgo have been increasing their level of service. Air Canada, despite its bankruptcy problems, is also planning to expand at Dorval, in part because of the airport's lower operating costs. Because Dorval is not a major hub, it experiences much less peak-period congestion than hub airports like Toronto and consequently, offers airlines considerable potential for fuel and labor savings through reduced delays.

----- Immigration and Customs -----

12. According to Normand Boivin, VP of Dorval operations, ADM is working with US and Canadian immigration on a new clearance system that, once the International Jetty is completed, will allow passengers to disembark from an international flight and move directly to the U.S. inspection area. This should increase Dorval's viability as a hub for international flights terminating in the U.S.

13. A longstanding concern of Department of Homeland Security personnel at Dorval has been the security of the pre-clearance inspection area: customs and immigration inspectors currently are interviewing and pre-clearing passengers who have had neither their persons nor their luggage screened. After the 9/11 attacks, the security screening stations (x-ray and metal detectors) were temporarily moved in front of the immigration/customs area, but have since been moved back. A long-term solution will require more expensive renovations that are unlikely before the new facility is built in Phase 3. ADM's plans to address the security concerns are not clear,

however. Henri-Paul Martel, ADM's Vice President for Engineering and Construction, showed post preliminary designs for the new inspection area featuring the same configuration as the current facility. However, in his interview with post, ADM's CEO Cherry himself raised the DHS pre-inspection security concerns, saying that these concerns will factor into the design of the new inspection facility planned for Phase 3. According to him, the inspection areas will be located behind, rather than in front of, security screening stations. However, Phase 3 construction wouldn't be completed until 2007, if construction began in 2005.

14. COMMENT: The ill-fated effort to develop Mirabel into Montreal's airport of the future resulted in a serious decline in the city's status as an air transportation center. The current effort to expand Dorval and bring it up to modern standards -- despite airline industry doldrums -- confirms its status as Montreal's principal passenger airport for at least the next 30 years. However, competition might arise from an unexpected quarter. Not far across the border in Plattsburgh, New York, a former U.S. military air base is being converted into a commercial airport that Plattsburgh city leaders plan to market as a gateway to Montreal in a few years. END COMMENT
ALLEN